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MEDICARE FACT SHEET

FOR IMMEDIATE RELEASE

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Medicare Prescription Drug Discount Card and Transitional Assistance Program

Overview: *The Medicare Prescription Drug Discount Card and Transitional Assistance Program was enacted into law on December 8, 2003 as part of the Medicare Modernization Act of 2003. The Administration worked with Congress to provide this voluntary program to give immediate relief to people with Medicare to help reduce their costs for prescriptions before the new drug benefit is implemented on January 1, 2006.*

Today, seniors and persons with disabilities without drug coverage pay some of the highest prices for prescriptions, sometimes as much as 20 percent more than those with coverage. The Medicare Prescription Drug Discount Card Program will enable Medicare beneficiaries to obtain discounts of 10 to 25 percent on prescription drugs.

As early as May, people with Medicare, except for those with Medicaid drug coverage, will have the opportunity to enroll in a Medicare-approved prescription drug discount card to help lower their drug costs. Beginning this June, these cards will provide discounts off the regular cash price of prescriptions. These cards will primarily benefit individuals without outpatient prescription drug insurance. This program is not intended to be a prescription drug benefit, but rather a measure to help people until the drug benefit is implemented on January 1, 2006. In 2004, 7.3 million people with Medicare are expected to enroll in the

program, and save between \$1.4 billion and \$1.8 billion in discounts on their prescriptions.

Medicare will provide a \$600 credit for the purchase of prescription drugs in 2004 and up to an additional \$600 credit in 2005 to people with incomes that are not more than 135 percent of the poverty line (\$12,569 for single individuals or \$16,862 for married individuals in 2004 – these income levels will vary slightly for subsequent years) if they do not have certain other drug coverage. Medicare will work with card sponsors so the funds are administered accordingly. Of the 7.3 million expected to enroll in the discount drug card program, an estimated 4.7 million will qualify for the \$600 credit and save an estimated \$2.4 billion, in addition to the savings from the discounts.

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When applying the \$600 credit toward the purchase of prescription drugs, beneficiaries who have incomes at or below 100 percent of poverty (\$9,310 for individuals or \$12,490 for couples) will pay 5 percent coinsurance and those with incomes between 101 and 135 percent will pay 10 percent coinsurance. On average, Medicare beneficiaries without drug coverage will pay about \$1,400 in 2004, so the discounts and \$600 in assistance will be of substantial help them.

Starting April 29, 2003, CMS will provide at www.Medicare.gov and through 1-800-MEDICARE, information about drug prices offered by the Medicare-Approved Drug Discount Card Program, and other pharmacy assistance programs and opportunities. This information will be available to help people choose the card that best meets their individual needs.

Card sponsors can charge up to \$30 per year for enrollment. Medicare will pay enrollment fees for those who qualify for the \$600 subsidy. Additionally, Medicare will ensure that at least two choices of discount drug cards are available in the 50 states and the District of Columbia. More information is available at www.cms.hhs.gov/discountdrugs/.

Enrolling in a Medicare-Approved Prescription Drug Discount Card Program & \$600 Transitional Assistance

Eligibility:

People are eligible for a discount drug card if they are enrolled under Medicare Part A or B,

as long as they are not receiving outpatient drug benefits through Medicaid, including 1115 waivers.

Transitional Assistance Eligibility (\$600 credit):

People are eligible for up to \$600 a year toward prescriptions if their income is not more than 135 percent of the poverty line (\$12,569 for single individuals or \$16,862 for married individuals in 2004). To qualify, people must not receive outpatient drug coverage from other sources, including Medicaid, TRICARE, group health insurance, or Federal Employee Health Benefit Plans (FEHBP) – except if the drug coverage is through a Part C Medicare + Choice plan or a Medigap plan. Generally, once a person qualifies for the \$600, their eligibility status does not change until the new drug benefit begins.

Enrollment Process

To enroll in a Medicare-approved discount card program, beneficiaries must first select the discount drug card that best meets their needs. Then they will submit basic information about their drug coverage status to selected discount drug card programs, such as zip code, drugs they are currently taking and how far they are willing to drive to a pharmacy. If the beneficiary applies for the \$600, they must submit income, retirement and health benefits information, and sign the form.

CMS will verify the applicant's information and notify card sponsors about the beneficiary's eligibility and enrollment. The drug card sponsor will then notify beneficiaries about their application's status.

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Eligible beneficiaries may start obtaining discounts, and the \$600 to purchase prescriptions – if they qualify, as early as the first day of the following month.

People who are ineligible for either the discount drug card or the \$600 may request for their application to be reviewed again.

Changing Approved Discount Card Programs

People with Medicare can enroll in a discount drug card at any time in 2004, but can only be enrolled in one approved card at a time. After the initial election, the beneficiary will have the option, for 2005, of choosing a different card, between November 15 and December 31,

2004.

A beneficiary may change cards during a special election period under certain circumstances, such as if they change their residential status to or from a long-term care facility, move outside the area served by their current discount drug card, or decide to enroll in or disenroll from a Medicare managed care plan.

Sponsor Qualifications

Non-governmental organizations that meet the Medicare-approval qualifications may receive a contract. Multiple organizations may partner to meet the qualification requirements.

- Organizational experience, including adjudicating and processing pharmacy claims at the point of sale and negotiating with manufacturers and others for low prices
- Financially stable and reputable
- Meeting service area and pharmacy network access standards
- Administering transitional assistance
- Providing negotiated prices
- Managing the eligibility and enrollment process
- Providing customer service
- Providing a grievance process
- Complying with the HIPAA privacy rule
- Agreeing to provide drug pricing data to CMS

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Service Area and Pharmacy Network Access

A state is the smallest service area a card sponsor is allowed to cover. If a service area includes additional states, then the entire additional state must be included.

Medicare-approved discount drug card programs must offer discounts at retail pharmacies that are conveniently located near enrollees' homes.

Minimum location requirements include:

- In urban areas served by the program, 90 percent of beneficiaries, on average, must live within 2 miles of a participating pharmacy
- In suburban areas served by the program, 90 percent of beneficiaries, on average, must live within 5 miles of a participating pharmacy
- In rural areas served by the program, 70 percent of beneficiaries, on average, must live within 15 miles of a participating pharmacy.

Additionally, programs may offer mail order options, but they are prohibited from offering only a mail-order program, and may not require enrollees to use mail-order pharmacies.

Covered Drugs and Formulary

Most prescriptions purchased at retail pharmacies are eligible for discounts and use of the \$600 credit. Syringes and medical supplies for insulin injections - needles, alcohol, and gauze – are also included. Many programs will use formularies, or specific lists of discounted drugs, to give their enrollees deeper discounts. These formularies must include the 209 categories representing the most commonly needed drugs for Medicare beneficiaries. However, if a drug is not on a beneficiary's formulary, the \$600 can still be used to purchase this prescription.

Rebates, Discounts, & Pass Through

Medicare-approved drug discount cards must obtain rebates from manufacturers, and are likely to also obtain discounts from other sources to lower their enrollees drug costs. Prices at the point of sale take into account rebates and discounts. Drug discount card programs will have an incentive to offer the lowest drug prices possible because they will have to compete for enrollees.

Over-the-Counter (Non-Prescription) Drugs

Discount drug cards may offer discounts on over-the-counter drugs. However, the \$600 cannot be used to purchase these drugs.

Preventing “Bait and Switch”

CMS will aggressively monitor discount drug card prices to ensure they are not participating in any sort of “bait and switch” activities. Discount drug card programs will update their prices and list of discounted drugs on a weekly basis. These updates will help CMS monitor

changes in overall drug prices, and identify programs that deviate from expected changes such as those in average wholesale price (AWP). If drug prices do change, card sponsors will be expected to notify CMS during these weekly updates. Additionally, if any card sponsor is found to participate in “bait and switch” activities CMS will impose appropriate sanctions.

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\$600 Proration and Rollover

In 2004, when people with Medicare enroll, they will receive the full \$600. CMS encourages early enrollment so beneficiaries may take full advantage of the discounts offered. The unused portion of the \$600 credit in 2004 will rollover to 2005, and beneficiaries will get another additional \$600 in 2005.

For beneficiaries enrolling for the first time in 2005, the \$600 will be prorated depending on when the beneficiary first applied for the funds. The \$600 will be reduced for late enrollees every quarter by \$150 starting in April 2005. In most cases, any remaining credit not spent in one calendar year may carry over into the following year and will remain available through early 2006.

Customer Service and Information & Outreach

Card sponsors will be required to provide information, such as enrollment fees and drug prices, to eligible people with Medicare. They also have to provide a process to reduce medication errors, such as drug interactions, along with other safety features, like allergy alerts.

Every discount drug card program will maintain a toll-free customer service call center that is open during usual business hours.

Privacy

Card sponsors must comply with HIPAA privacy rules to protect beneficiaries' health information. Protected health information can only be used for health care operations and marketing purposes under the scope of the Medicare endorsement. Additional restrictions beyond HIPAA prevent sponsors from seeking authorization to use beneficiary information for any marketing outside the scope of the Medicare endorsement. Also, these additional restrictions preclude sponsors from marketing other products they may offer with their Medicare-approved drug card.

Oversight and Reporting

General oversight:

The Medicare program will operate a grievance and complaint tracking system, including information from 1-800-MEDICARE. Complaints will be analyzed to identify trends that indicate poor card sponsor performance, including those related to:

- Savings garnered and shared by manufacturers and pharmacies;
- Appropriate management of the \$600 credit;
- Enrollment and disenrollment;
- Marketing;
- Pharmacy network access;
- Customer service; and
- Confidentiality of enrollee records.

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Intermediate Sanctions and Termination:

CMS may impose intermediate sanctions or terminate a contract based on a sponsor's failure to meet the requirements or standards set by Medicare for this program. Further, CMS and the Office of the Inspector General may impose civil monetary penalties.

Educational and Outreach Efforts

Medicare will provide general information about how the program will operate, who can qualify to join, as well as some comparative information on card sponsors. This information will be available in 14 different languages at least 30 days prior to the initial enrollment date through www.Medicare.gov and 1-800 MEDICARE.

Other information sources will include a brochure for beneficiaries, a section in the *2005 Medicare & You* handbook, a national multi-media campaign, and State Health Insurance Assistance Programs and community organizations.

A price comparison website will allow people with Medicare to compare negotiated prices, fees, and other card program features. Drug prices displayed by this tool will be the negotiated prices for a card sponsor's service area, taking into account the pharmacies in a particular area. Actual prices may vary, but will not be more than those posted.

1-800-MEDICARE will be used to answer questions, walk-through the price comparison website, and refer people to the appropriate sponsor or other resources (such as referrals for eligibility determination or State Pharmacy Assistance Programs).

Medicare Managed Care Plans & “Exclusive Card Programs”

Medicare managed care plans (those health plan organizations providing coordinated care plans, and Medicare cost reimbursement contractors) may offer “exclusive card programs” that limit enrollment only to their own members. Medicare Advantage plans (formerly M + C plans) may decide to apply the discount drug card savings (or discounts) to their drug benefit. These plans can apply the \$600 to the drug benefit co-payments and deductibles. They can also apply the \$600 to drugs covered under the card that is either not under the plan’s benefit or beyond the plan’s benefit cap. Individuals who receive outpatient drug coverage through Medicare cost plans are not eligible for transitional assistance.

Options for States

States with state pharmacy assistance programs (SPAPs) can coordinate with a card sponsor, or encourage their own privately run program to apply for the Medicare endorsement. Additionally, states may choose to pay the enrollment fees for non-low income beneficiaries and coinsurance for low-income beneficiaries receiving the \$600. However, no federal matching payments are available for these state expenditures. CMS is working with State Medicaid programs and State Pharmacy Assistance Programs to see that they have the staff training, beneficiary education and data exchange tools necessary to coordinate their programs.

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“Special Endorsements”

Medicare is giving a “special endorsement” to selected card sponsors to provide transitional assistance to:

- Residents of long term care (LTC) facilities, including nursing facilities and skilled nursing facilities, through long term care pharmacies
- American Indians/Alaska Natives (AI/ANs) who use Indian Health Service, Indian Tribe and Tribal Organization, and Urban Indian Organization (I/T/U) pharmacies

A special endorsement to provide discounts only (not transitional assistance) is also being granted to selected card sponsors who serve residents of the U.S. territories, which include

American Samoa, Commonwealth of the Northern Mariana Islands, Guam, Commonwealth of Puerto Rico, and the Virgin Islands, through retail pharmacies in these regions and mail order.

Transitional Assistance in the Territories

Assistance in the territories is separate from the Medicare-Approved Drug Discount Card program. Territories will be asked to submit plans for using a one-time prescription drug assistance grant (totaling \$35 million across the territories) to provide assistance for covered drugs to some or all low-income Medicare beneficiaries with incomes below 135 percent of the poverty line, including beneficiaries with Medicaid.

Unlike the discount drug card programs in the contiguous United States, that will administer transitional assistance, the territories' government will be the entities to administer the prescription drug assistance grant. These applications should be submitted to a territories regional office in New York or San Francisco for approval.

Impact Analysis Results

Estimated Enrollment	2004	2005
Discount only Enrollees	2.6M	2.7M
Enrollees Eligible for TA	4.7M	4.7M
Total Enrollees	7.3M	7.4M
Discount Savings	\$1.4-\$1.8B	\$2.0-\$2.7B
Estimated Savings from TA	\$2.4B	\$2.6B

Enrollment is based on an estimated 15.4 million beneficiaries who are eligible for either the card only, or for the card and \$600 in 2004 and 2005.

Sponsor Costs:

A \$30 annual enrollment fee covers all (or nearly all) of a sponsors' costs of operations, assuming these fees are collected in 2004 and 2005, which would allow a sponsor to pass through a substantial share of the rebates, discounts, and other price concessions they negotiate with manufacturers and pharmacies.

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